



POMEROY CORPORATION

SOUTHERN CALIFORNIA DIVISION

May 2, 2007

California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Dear Members of the California Air Resources Board:

The California Air Resources Board (CARB) is currently considering the adoption of off-road diesel regulations that, if implemented as presently drafted, would have a profound, negative impact on California's infrastructure rebuilding efforts, the health of the state's construction industry and its overall economy.

We want to be clear that Pomeroy Corporation is very supportive of reducing particulate matter (PM) and NOx emissions from diesel engines. There is no disagreement that we need to work collectively to improve the state's air quality and all of us want to provide as healthy an environment as possible for our employees and the general public. However, in their current form, the Board's proposed regulations are not viable from an economic or technological perspective.

When CARB first announced its intention to promulgate these regulations in 2000, their plan called for an 18-year timeline to meet the state's goals of reducing particulate matter emissions only. Due to delays in developing these rules, that timeline has been reduced to 13 years. In addition, the regulation of NOx emissions has been added to the rule – which significantly alters the kind of technology needed for companies to be in compliance.

After checking with our equipment supplier, we found there is no diesel engine currently available that is capable of addressing both PM and NOx emissions. This lack of equipment technology and availability are serious barriers to meeting the targets under these rules. In some cases the engines and equipment necessary to meet the stringent standards in these regulations will not come to market until 2014.

Under the annual emission reduction targets required in this proposal, our supplier has indicated that we will be required to first re-power or retrofit an engine, only to have to turn around a few years later and replace the entire piece of equipment when the technology to do the job right finally hits the marketplace. We estimate that retrofit our fleet alone would cost our company approximately \$900K.

The other alternative would be to park our equipment and lease the necessary pieces thus increasing our project costs. These increases would ultimately have to be passed on to the project owners.

These rules will also significantly reduce the buying power. Due to the enormous expense of replacing this equipment – in some cases more than \$750K for each machine – we will be forced to increase the cost of construction projects. This means fewer roads, schools, housing and levees will be built and the pace at which these projects can be completed will be significantly slowed.

However, restoring just five years to the implementation timeframe will give equipment manufacturers time to catch-up and produce engines that will allow the industry to meet California's progressive air quality standards and distribute the massive expense of purchasing new equipment out over a longer period.

We look forward to working with you, CARB, environmental organizations, the Legislature and other stakeholders to find a feasible solution that achieves the state's air quality goals while keeping California's economy moving forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Grafton", with a stylized, sweeping flourish extending from the end of the name.

R. Jon Grafton
President